

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



# Veterans Benefits Administration

*Inspection of  
the VA Regional Office  
Manila, Philippines*

February 17, 2016  
15-05024-97

# ACRONYMS

FVEC	Filipino Veterans Equity Compensation
OIG	Office of Inspector General
SMC	Special Monthly Compensation
TBI	Traumatic Brain Injury
VA	Department of Veterans Affairs
VARO	Veterans Affairs Regional Office
VBA	Veterans Benefits Administration
VSC	Veterans Service Center

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# Report Highlights: Inspection of the VA Regional Office in Manila, Philippines

## Why We Did This Review

The Veterans Benefits Administration (VBA) has 56 VA Regional Offices (VAROs) and a Veterans Service Center in Wyoming that process disability claims and provide services to veterans. In November 2015, we evaluated the Manila VARO to see how well it accomplishes this mission. We sampled claims that we considered at increased risk of processing errors. These claims do not represent the accuracy of all disability claims processing at this VARO.

## What We Found

Manila VARO staff correctly processed entitlement to temporary 100 percent disability evaluations. The VARO did not process any traumatic brain injury or special monthly compensation claims within the scope of our review.

Staff correctly processed the two temporary 100 percent disability evaluation cases we reviewed. In our 2012 inspection report, the most frequent processing errors associated with temporary 100 percent disability evaluation cases occurred because management did not have an oversight process to ensure staff entered suspense diaries as required. During this inspection, we did not identify similar errors. Therefore, we determined VBA's response to our previous recommendation was effective.

Manila VARO staff followed VBA's policy for establishing dates of claim in 29 of the 30 claims we reviewed. VARO staff

delayed processing 6 of 21 benefits reduction cases because management prioritized other workload higher. Additionally, Manila VARO staff correctly processed all 33 pending and completed Filipino Veterans Equity Compensation (FVEC) claims, and 15 of the 16 FVEC appeals we reviewed.

## What We Recommended

We recommended the Manila VARO Director implement a plan to ensure oversight and prioritization of benefits reduction cases.

## Agency Comments

The VARO Director concurred with our recommendation. Management's planned actions are responsive and we will follow up as required.

A handwritten signature in black ink that reads "Brent E. Arronte".

**BRENT E. ARRONTE**  
Deputy Assistant Inspector General  
for Audits and Evaluations

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## INTRODUCTION

### **Objective**

The Benefits Inspection Program is part of the VA Office of Inspector General's (OIG) efforts to ensure our nation's veterans receive timely and accurate benefits and services. The Benefits Inspection divisions contribute to improved management of benefits processing activities and veterans' services by conducting onsite inspections at VA Regional Offices (VAROs). These independent inspections provide recurring oversight focused on disability compensation claims processing and performance of Veterans Service Center (VSC) operations. The objectives of the inspections are to:

- Evaluate how well VAROs are accomplishing their mission of providing veterans with access to high-quality benefits and services.
- Determine whether management controls ensure compliance with VA regulations and policies; assist management in achieving program goals; and minimize the risk of fraud, waste, and other abuses.
- Identify and report systemic trends in VARO operations.

We provide this information to help the VARO make procedural improvements to ensure enhanced stewardship of financial benefits. We do not provide this information to require the VARO to adjust specific veterans' benefits. Processing any adjustments per this review is clearly a Veterans Benefits Administration (VBA) program management decision.

In addition to this oversight, inspections may examine issues or allegations referred by VA employees, members of Congress, or other stakeholders.

### **Other Information**

- Appendix A includes details on the Manila VARO and the scope of our inspection.
- Appendix B outlines criteria we used to evaluate each operational activity and a summary of our inspection results.
- Appendix C provides the Manila VARO Director's comments on a draft of this report.

## RESULTS AND RECOMMENDATION

### I. Disability Claims Processing

#### Claims Processing Accuracy

The OIG Benefits Inspection team focused on evaluating the accuracy in processing the following three types of disability claims and determined their effect on veterans' benefits:

- Temporary 100 percent disability evaluations
- Traumatic brain injury (TBI) claims
- Special monthly compensation (SMC) and ancillary benefits

We sampled claims related only to specific conditions that we considered at increased risk of claims processing errors. These results do not represent the accuracy of all disability claims processing at this VARO.

The Manila VARO processed entitlement to temporary 100 percent disability evaluations correctly. The VARO did not process any TBI-related cases or SMC and ancillary benefits cases during the scope of our review. Table 1 reflects the errors affecting, and those with the potential to affect, veterans' benefits processed at the Manila VARO.

**Table 1. Manila VARO Disability Claims Processing Accuracy for Three High-Risk Claims Processing Areas**

Type of Claim	Reviewed	Claims Inaccurately Processed: Affecting Veterans' Benefits	Claims Inaccurately Processed: Potential To Affect Veterans' Benefits	Claims Inaccurately Processed: Total
Temporary 100 Percent Disability Evaluations	2	0	0	0
TBI Claims	0	0	0	0
SMC and Ancillary Benefits	0	0	0	0
<b>Total</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>

*Source: VA OIG analysis of VBA's temporary 100 percent disability evaluations paid at least 18 months, TBI disability claims, and SMC and ancillary benefits claims completed from July 1, 2014, through June 30, 2015*

**Temporary  
100 Percent  
Disability  
Evaluations**

VARO staff correctly processed the two temporary 100 percent disability evaluations we reviewed. VBA policy requires a temporary 100 percent disability evaluation for a veteran's service-connected disability following a surgery or when specific treatment is needed. At the end of a mandated period of convalescence or treatment, VARO staff must request a follow-up medical examination to help determine whether to continue the veteran's 100 percent disability evaluation.

For temporary 100 percent disability evaluations, staff must input suspense diaries in VBA's electronic system. A suspense diary is a processing command that establishes a date when VSC staff must schedule a medical reexamination. As a suspense diary matures, the electronic system generates a reminder notification to alert VSC staff to schedule the medical reexamination. VSC staff then process the reminder notification by establishing the appropriate control to initiate action. Effective management of these temporary 100 percent disability ratings can reduce VBA's risks of paying inaccurate financial benefits and provide improved stewardship of taxpayer funds.

Based on our inspection and the accuracy rate for processing temporary 100 percent evaluation cases, we found the Manila VARO has been proactive in its efforts to process these cases in an efficient manner. Therefore, we found the VARO is compliant in this area and we made no recommendation for improvement.

**Follow-Up to  
Prior VA OIG  
Inspection**

In our previous report, *Inspection of the VA Regional Office, Manila, Philippines* (Report No. 12-00156-110, March 1, 2012), VARO staff incorrectly processed 8 of 14 temporary 100 percent disability evaluations we reviewed. The majority of the errors we identified occurred because management did not have an oversight process to ensure staff entered suspense diaries as required.

In response to a recommendation in our report, *Audit of 100 Percent Disability Evaluations* (Report No. 09-03359-71, January 24, 2011), the Acting Under Secretary for Benefits agreed to review all temporary 100 percent disability evaluations and ensure each had a future examination date entered in the electronic record. As such, we made no specific recommendation for improvement to the Manila VARO in our March 2012 report.

During our November 2015 inspection, we did not find temporary 100 percent disability evaluation inaccuracies. Specifically, we did not find any cases where staff failed to establish suspense diaries when processing rating decisions requiring 100 percent disability reexaminations. As the VARO was compliant during the current inspection, VBA's response to our recommendation appears to have been effective.

**TBI Claims**

The Department of Defense and VBA define a TBI as a traumatically induced structural injury or a physiological disruption of brain function caused by an external force. The major residual disabilities of TBI fall into three main categories—physical, cognitive, and behavioral. VBA policy requires staff to evaluate these residual disabilities. Additionally, VBA policy requires decisions that address TBI be processed by employees who have completed the required TBI training.

In response to a recommendation in our previous annual report, *Systemic Issues Reported During Inspections at VA Regional Offices* (Report No. 11-00510-167, May 18, 2011), VBA agreed to develop and implement a strategy for ensuring the accuracy of TBI claims decisions. In May 2011, VBA provided guidance to VARO Directors to implement a policy requiring a second signature on each TBI case a Rating Veterans Service Representative evaluates until they demonstrate 90 percent accuracy in TBI claims processing. VARO staff did not process any TBI claims within the scope of our review. Therefore, we were unable to assess the accuracy of this type of claim.

**Follow-Up to  
Prior VA OIG  
Inspection**

In our previous report, *Inspection of the VA Regional Office, Manila, Philippines* (Report No. 12-00156-110, March 1, 2012), VARO staff correctly processed all three TBI claims we reviewed. As a result, we determined the Manila VARO complied with VBA's policy to process TBI claims. Therefore, we made no recommendation for improvement in this area.

**Special  
Monthly  
Compensation  
and Ancillary  
Benefits**

As the concept of rating disabilities evolved, it was realized that for certain types of disabilities, the basic rate of compensation was not sufficient for the level of disability present. Therefore, SMC was established to recognize the severity of certain disabilities or combinations of disabilities by adding an additional compensation to the basic rate of payment. SMC represents payments for "quality of life" issues, such as the loss of an eye or limb, or the need to rely on others for daily life activities, like bathing or eating. Generally, VBA grants entitlement to SMC when the following conditions exist:

- Anatomical loss or loss of use of specific organs, sensory functions, or extremities
- Disabilities that render the veteran permanently bedridden or in need of aid and attendance
- Combinations of severe disabilities that significantly affect locomotion
- Existence of multiple, independent disabilities that are evaluated as 50 to 100 percent disabling

- Existence of multiple disabilities that render the veteran in need of such a degree of special skilled assistance that, without it, the veteran would be permanently confined to a skilled-care nursing home

Ancillary benefits are secondary benefits that staff must consider when evaluating claims for SMC. Examples of ancillary benefits are:

- Dependents' Educational Assistance under section 35, title 38, United States Code
- Specially Adapted Housing Grants
- Special Home Adaptation Grants
- Automobile and Other Conveyance and Adaptive Equipment Allowance

VBA policy requires staff to address the issues of SMC and ancillary benefits whenever they can grant entitlement. We focused our review on whether VARO staff accurately processed entitlement to SMC and ancillary benefits associated with anatomical loss, loss of use of two or more extremities, or bilateral blindness with visual acuity of 5/200 or worse.

VARO staff did not process any claims within the scope of our review involving SMC and ancillary benefits. Management we interviewed indicated claims involving loss or loss of use of two or more extremities or bilateral blindness are rare. Therefore, we were unable to assess the accuracy of this type of claim.

## II. Data Integrity

### *Dates of Claim*

To ensure all claims receive proper attention and timely processing, VBA policy directs staff to use the earliest date stamp shown on the claim document as the date of claim. VBA relies on accurate dates of claim to establish and track key performance measures, including the average days to complete a claim. We focused our review on whether VSC staff followed VBA policy for establishing dates of claim in the electronic record.

VARO staff incorrectly established 1 of 30 dates of claim we reviewed in VBA's electronic system of record. For the one inaccuracy, VSC staff improperly established a date of claim as June 9, 2015, when the correct date of claim was April 1, 2015. This incorrect date of claim had the potential to affect the veteran's benefit payments. VARO management concurred with this error.

Because VARO staff accurately recorded dates of claims for 29 of the 30 claims we reviewed, we concluded staff generally followed VBA policy when establishing claims in the electronic systems of records. As such, we made no recommendation for improvement in this area.

### III. Management Controls

#### **Benefits Reductions**

VBA policy provides for compensation to veterans for conditions they incurred or aggravated during military service. The amount of monthly compensation to which a veteran is entitled may change because his or her service-connected disability may improve. Improper payments associated with benefits reductions generally occur when beneficiaries receive payments to which they are not entitled. Such instances are attributable to VAROs not taking the actions required to ensure correct payments for the veterans' current levels of disability.

When a VARO obtains evidence that a lower disability evaluation would result in a reduction or discontinuance of current compensation payments, VSC staff must inform the beneficiary of the proposed benefits reduction. In order to provide the beneficiary due process, VBA allows 60 days for the veteran to submit additional evidence to show that compensation payments should continue at their present level. If the veteran does not provide additional evidence within that period, a Rating Veterans Service Representative must make a final determination to reduce or discontinue the benefit.

#### **Finding 1**

#### **Manila VARO Needs To Ensure Timely Action on Proposed Benefits Reductions**

VSC staff delayed processing 6 of 21 cases involving proposed benefits reductions—all six cases affected veterans' benefits. The delays were generally due to competing national workload priorities. These processing delays resulted in overpayments totaling approximately \$13,300, representing 29 improper monthly payments to 6 veterans from October 2014 to September 2015. Details on these delays follow.

- In the first case, VSC staff sent a letter to a veteran on August 7, 2014, proposing to reduce the evaluation for her duodenal ulcer; due process expired October 14, 2014. Staff did not take action to reduce the evaluation until May 2015. As a result, VA overpaid the veteran approximately \$5,600 over a period of 7 months. This case contained the most significant overpayment.
- Seattle VSC staff sent a letter to a veteran on April 7, 2014, proposing to reduce the evaluation for his right foot cold injury residuals; due process expired June 11, 2014. Manila VSC staff received this case from the Seattle VARO on September 12, 2014, and did not take action to reduce the evaluation until May 2015. As a result, Manila VARO staff were responsible for overpaying the veteran approximately \$4,400 over a period of 8 months.
- In another case, VSC staff sent a letter to a veteran on May 7, 2014, proposing to reduce the evaluations for his right knee and low back

conditions; due process expired July 11, 2014. Staff did not take action to reduce the evaluations until April 2015. As a result, VA overpaid the veteran approximately \$2,300 over a period of 9 months. This case contained the most significant processing delay.

- VSC staff sent a letter to a veteran on January 9, 2015, proposing to reduce the evaluation for his coronary artery disease; due process expired March 16, 2015. However, staff did not take action to reduce the evaluation until June 2015. As a result, VA overpaid the veteran approximately \$590 over a period of 3 months.
- In another case, VSC staff sent a letter to a veteran on February 27, 2015, proposing to reduce the evaluation for his degenerative disc disease; due process expired May 4, 2015. Staff did not take action to reduce the evaluation until June 2015. As a result, VA overpaid the veteran approximately \$270 over a period of 1 month.
- In the last case, VSC staff sent a letter to a veteran on February 20, 2015, proposing to reduce the evaluation for his bilateral hearing loss; due process expired April 27, 2015. Staff did not take action to reduce the evaluation until May 2015. As a result, VA overpaid the veteran approximately \$90 over a period of 1 month.

Generally, the processing delays occurred because VSC management did not prioritize this workload, which we confirmed during our interviews with management and staff. VSC leadership did not prioritize processing benefits reductions and concentrated instead on the national priority, processing rating claims pending over 125 days. Both management and staff confirmed a lack of emphasis on timely processing proposed rating reductions. VSC management concurred with the processing delays.

## Recommendation

1. We recommended the Manila VA Regional Office Director implement a plan to ensure oversight and prioritization of benefits reduction cases.

### **Management Comments**

The VARO Director concurred with our recommendation. The Manila VARO will update its workload management plan to prioritize benefit reduction cases. The expected completion date to update the Workload Plan is February 29, 2016.

### **OIG Response**

The Director's comments and actions are responsive to the recommendation. We will follow up as required.

## IV. Eligibility Determinations

### *Filipino Veterans Equity Compensation*

Filipino veterans or their surviving spouses are eligible to receive a one-time payment through the Filipino Veterans Equity Compensation Fund (FVEC) for qualifying military service. Payments for Filipino veterans consist of \$9,000 for non-United States citizens and \$15,000 for those with United States citizenship. The Manila VARO is solely responsible for processing FVEC claims.

VARO staff correctly processed all 30 completed FVEC claims we reviewed. Additionally, we found no inaccuracies or excessive delays during our review of three pending FVEC claims. Staff correctly processed 15 of 16 FVEC appeals. For the one inaccuracy, staff did not acknowledge the claimant's substantive appeal, which resulted in a premature closure. As VSC staff generally processed completed and pending FVEC claims and appeals correctly, we determined the VSC is following VBA policy. Therefore, we made no recommendation for improvement in this area.

## Appendix A VARO Profile and Scope of Inspection

**Organization** The Manila VARO administers a variety of services and benefits, including compensation and pension benefits; vocational rehabilitation and employment assistance; benefits counseling; public affairs; and fiduciary and guardianship services.

**Resources** As of September 2015, the Manila VARO had a staffing level of 95 full-time employees. Of this total, the VSC had 77 employees assigned.

**Workload** As of September 2015, VBA reported the Manila VARO had 1,519 compensation claims pending with 712 (47 percent) pending greater than 125 days.

**Scope and Methodology** VBA has 56 VAROs and a VSC in Cheyenne, WY, that process disability claims and provide a range of services to veterans. In November 2015, we evaluated the Manila VARO to see how well it accomplishes this mission.

We reviewed selected management, claims processing, and administrative activities to evaluate compliance with VBA policies regarding benefits delivery and nonmedical services provided to veterans and other beneficiaries. We interviewed managers and employees and reviewed veterans' claims folders. Prior to conducting our onsite inspection, we coordinated with VA OIG criminal investigators to provide a briefing designed to alert VARO staff to the indicators of fraud in claims processing.

Our review included both of the temporary 100 percent disability evaluations selected from VBA's Corporate Database. These claims represented instances in which VBA staff had granted temporary 100 percent disability evaluations for at least 18 months as of August 21, 2015. This is generally the longest period a temporary 100 percent disability evaluation may be assigned without review, according to VBA policy. The VARO did not process any TBI-related cases or SMC and ancillary benefits cases within the scope of our review. Therefore, we did not review either of these types of cases.

We reviewed 30 of 721 dates of claim (4 percent) recorded in VBA's Corporate Database from April 1, 2015, through June 30, 2015, as of August 21, 2015. Additionally, we reviewed all 21 completed claims that proposed reductions in benefits from April 1, 2015, through June 30, 2015. We also reviewed 30 FVEC claims completed from July 1, 2014, through June 30, 2015; 3 FVEC claims pending as of October 28, 2015; and 16 FVEC appeals completed from July 1, 2014, through June 30, 2015.

**Data Reliability** We used computer-processed data from the Veterans Service Network's Operations Reports and Awards. To test for reliability, we reviewed the data to determine whether any were missing from key fields, included calculation

errors, or were outside the time frame requested. We assessed whether the data contained obvious duplication of records, alphabetic or numeric characters in incorrect fields, or illogical relationships among data elements. Further, we compared veterans' names, file numbers, Social Security numbers, VARO numbers, dates of claim, and decision dates provided in the data received with information contained in the 102 claims folders we reviewed related to temporary 100 percent disability evaluations, dates of pending claims at the VARO, completed claims involving proposed benefits reductions, and FVEC pending and completed claims and appeals.

Our testing of the data disclosed that they were sufficiently reliable for our inspection objectives. Our comparison of the data with information contained in the veterans' claims folders we reviewed did not disclose any problems with data reliability.

This report references VBA's Systematic Technical Accuracy Review data. As reported by VBA's Systematic Technical Accuracy Review program as of September 2015, the overall claims-based accuracy of the VARO's compensation rating-related decisions was 93.9 percent. We did not test the reliability of these data.

***Inspection  
Standards***

We conducted this inspection in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

## Appendix B Inspection Summary

Table 2 reflects the operational activities inspected, applicable criteria, and whether or not we had reasonable assurance of VARO compliance.

**Table 2. Manila VARO Inspection Summary**

Operational Activities Inspected	Criteria	Reasonable Assurance of Compliance
<b>Disability Claims Processing</b>		
Temporary 100 Percent Disability Evaluations	Determine whether VARO staff properly reviewed temporary 100 percent disability evaluations. (38 CFR 3.103(b)), (38 CFR 3.105(e)), (38 CFR 3.327), (M21-1 MR Part IV, Subpart ii, Chapter 2, Section J), (M21-1 Part III, Subpart iv, Chapter 3, Section C.2), ( <i>VBMS Awards User Guide</i> )	Yes
<b>Data Integrity</b>		
Dates of Claim	Determine whether VARO staff accurately established claims in the electronic records. (38 CFR 3.1(p) and (r)), (38 CFR 3.400), (M21-4, Appendix B), (M21-1MR.III.ii.1.C.10.a), (M21-1MR.III.ii.1.B.6 and 7), (M21-1MR.III.ii.2.B.8.f), (M21-1MR, III.i.2.A.2.c), ( <i>VBMS User Guide</i> ), (M21-4, Chapter 4.07), (M23-1, Part 1, 1.06)	Yes
<b>Management Controls</b>		
Benefits Reductions	Determine whether VARO staff timely and accurately processed disability evaluation reductions or terminations. (38 CFR 3.103(b)(2), (38 CFR 3.105(e)), (38 CFR 3.501), (M21-1MR.IV.ii.3.A.3.e), (M21-1MR.I.2.B.7.a), (M21-1MR.I.2.C), (M21-1, III.iv.8.D.1) (M21-4,Chapter 2.05(f)(4))	No
<b>Eligibility Determinations</b>		
FVEC Claims	Determine whether VARO staff properly processed claims for Filipino Veterans Equity Compensation. (FL 09-17), (M21-1Part III, Subpart iii, Chapter 2, Section E.34), (M21-1 Part III, Subpart vi, Chapter 4, Section B.4), (M21-1, Part 1, Chapter 4), (M21-1, Part 1, Chapter 5), (M21-1, Part III, Subpart ii, Chapter 4, Section E)	Yes

Source: VA OIG

CFR=Code of Federal Regulations, FL=Fast Letter, M=Manual, MR=Manual Rewrite, VBMS=Veterans Benefits Management System

## Appendix C VARO Director's Comments

### Department of Veterans Affairs

### Memorandum

**Date:** January 12, 2016  
**From:** Director, VA Regional Office Manila, Philippines  
**Subj:** Inspection of the VA Regional Office, Manila, Philippines  
**To:** Assistant Inspector General for Audits and Evaluations (52)

1. The Manila VARO concurs with the recommendations made on the OIG Draft Report: *Inspection of the VA Regional Office, Manila, Philippines*.
2. The Manila VARO will update the workload management plan accordingly to incorporate a plan to prioritize benefit reduction cases. The Workload Plan will be completed by February 29, 2016.

Please refer questions to Jessica Gathercole, Veterans Service Center Manager at 011-632-550-3851.

*(original signed by:)*

RimaAnn O. Nelson

## Appendix D **OIG Contact and Staff Acknowledgments**

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OIG Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
Acknowledgments	Dana Sullivan, Director Jason Boyd Orlan Braman Michelle Elliott Tyler Hargreaves David Pina Rachel Stroup Nelvy Viguera Butler

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